SAN DIEGO STADIUM TASK FORCE:

THE NEED FOR A CREATIVE PUBLIC/PRIVATE INFRASTRUCTURE PARTNERSHIP

(expanded testimony of Rick Horrow; November 7, 2002)

The last decade has produced unprecedented development of "entertainment infrastructure" both nationally and internationally. Overall, there have been 256 sports, arts, convention, and entertainment facilities developed in the United States this decade at a total cost of over $19.4 billion. This is part of the overall $3.5 trillion spent in infrastructure development since 1990.

Around the NFL this year, five teams have christened their new venues: the Detroit Lions open the $312 million Ford Field in downtown Detroit; the Seattle Seahawks dedicate the $299 million Seahawks Stadium this year; the Houston Texans begin play in their new $310 million Reliant Stadium; the New England Patriots open the $336 million Gillette Field; and the Green Bay Packers begin play in their $295 million Lambeau Field restoration project (to be completed next year). In fact, there have been 21 facilities developed or substantially modernized for National Football League teams since 1995, at a cost of over $7 billion – stadium activity unmatched in any sport. As I mentioned in prior testimony on September 12, 2002, these other 21 communities have decided to undertake successful public/private partnerships for various reasons specific to their own region. The league will provide references of public officials and business leaders to speak to those specific issues, if desired.

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My testimony has been previously submitted regarding the economics of the National Football League generally and the San Diego Chargers – emphasizing the need to develop "economically competitive facilities." I also provided supporting documentation describing the financial characteristics of the public/private partnership model, with specific examples of the most recent 22 NFL public/private stadium partnerships. I am available to discuss all of those issues in greater detail.

The most critical issues that I would like to expand upon today involve the reasons that cities, regions, and states invest in stadiums as public infrastructure. San Diego has been host to the Chargers for more than 40 years, so there is first-hand experience in this region concerning the benefits of an NFL team. In fact, San Diego has had the added benefit of being able to host Super Bowls, a benefit which is not afforded many NFL cities due to weather concerns. I mentioned on September 12 that over 100 regions that have successfully implemented major and minor league sports and entertainment facilities during this decade have focused on ***<u>five</u>*** specific arguments in justifying over $19 billion of public infrastructure funding investment. I would like to explore each of those in greater detail today.

<u>First, the facilities have been perceived to generate substantial economic impact during construction.</u>

A study by Conventions Sports and Leisure International suggests that the Tennessee Titans pump over $108 million in direct spending into the Central Tennessee economy annually. The team generates $85 million worth of personal earnings, and 2,100 jobs were generated by direct and indirect spending surrounding the Titans. CLSI surveyed fans in five NFL markets and determined that the average fan spends $28 before and after a game in addition to money spent inside the stadium on such things as tickets, concessions, and parking.

Other economic impact studies have been developed along similar lines. According to the University of Cincinnati Center for Economic Education, the total impact of construction of Great America Park for the Cincinnati Reds and Paul Brown Stadium for the Cincinnati Bengals is $1.1 billion. Cincinnati households are gaining $373 million in earnings and 18,641 jobs as a result of the projects. An analysis prepared for the Maryland Stadium Authority suggests that an average Baltimore Orioles season will generate $117 million in regional gross sales, $44 million in earnings, and over 1,500 full-time jobs. Total statewide economic impact amounts to $226 million in gross sales, $77 million in earnings, and 2,340 full-time jobs. The study also suggests that 1.6 million out-of-town fans, or 46 percent of all fans, were attracted to Baltimore from outside the area. These visitors spend $46 million in the Baltimore area representing new economic growth in the regional economy. The National Football League has provided a number of these economic impact studies to the Task Force, and business leaders and community representatives from various regions are available to speak specifically to the respective methodologies involved in these studies. Remember also that this information has been prepared by a variety of economists, economic consultants, chambers of commerce, and other business groups. Obviously, these studies have been almost universally accepted as important components of the respective public/private partnerships in various regions.

Second, successful projects have also generated substantial retail, sales, and development activity surrounding the facility.

As Jacobs Field opened in Cleveland in 1995, more than 20 restaurants or retail establishments have opened after that; and more than 85 storefronts have been renovated at a cost of $1.2 million. The downtown development-oriented Gateway Project has created 6,269 permanent jobs since 1994, generating $6.5 million in payroll taxes. Representative downtown Cleveland business organizations have suggested that the facility complex has provided over 300 active dates and four million additional visitors to Cleveland since the opening of the stadium.

As a consequence of the 1995 opening of Coors Field in Denver, studies point to an increase of over $40 million in taxable sales from the previous year; $20 million was spent in new downtown business; and more than 25 restaurants have opened. Land adjacent to Coors Field, previously assessed at $1.77 per square foot, recently sold for approximately $27 per square foot. Many converted old warehouses have loft units that are selling for $200,000 to $300,000 per unit. One in every three tourists visiting Denver mentioned that they had attended or would like to have attended a Rockies game. Further, a report by the Phoenix Finance Department demonstrates that fans attracted to Bank One Ballpark during its first year of operation helped contribute to a 34.1% increase in City sales tax revenue in the downtown area. Retail sales through the Summer of 1998 in the Phoenix downtown core were up 93.8% over the same period in 1997. Restaurants and bars downtown saw an increase from $40.3 million to $52.4 million over one year. Hotels and motels in the one square mile contiguous area demonstrated a 6.6% increase, compared with a 4.3% increase city wide.

<u>The third major impact and justification involves the major and special events that will be attracted to a new facility – Super Bowls and the like.</u>

Recent Super Bowls in New Orleans, Atlanta, and Miami have each generated over $250 million to their respective local economies. A study done by Georgia State University suggests that the 2000 Super Bowl held in Atlanta created over $292 million of economic impact, as well as $5.9 million of direct taxes to the public sector. The Sports Management Research Institute study reported that the 1999 Miami Super Bowl created $396 million of economic impact, $239 million of that from direct expenditures. Super Bowl XXXVI in New Orleans was watched by 131.7 million domestic fans, with nearly a one billion worldwide audience.

The PricewaterhouseCoopers study done for the 1998 Super Bowl XXXII in San Diego identified $206.7 million of direct and indirect economic impact for the City of San Diego, $294.6 million of County impact, and $318.9 million of impact on the State, in addition to total new tax revenue generated of over $15 million. Super Bowl XXXII in San Diego was watched by more than 133 million viewers, the third most watched ***<u>show</u>*** in television history, providing tremendous exposure for the City of San Diego; 3,300 members of the media from 396 print organizations covered that game.

<u>Fourth, regions recognize the intangible impact of a sports franchise and corresponding facility on its marketability and potential to attract business.</u>

Detroit unveiled an ambitious new plan earlier this year to draw millions more visitors to the region and reverse the City's image as an unsafe place. The 10-year strategic plan is expected to increase visitor spending in the metro Detroit area by an estimated $3 billion a year and will see the creation of 31,000 new jobs. This strategy is based in large part on the opening of the new 65,000-seat Ford Field.

The Jacksonville Sports Development Authority and Chamber of Commerce suggests that the Jacksonville Jaguars and Alltel Stadium enrich the local economy by an estimated $131 million a year from visitors buying tickets, eating at restaurants, and staying at hotels. Additionally, they believe that the new team and facility have been indirectly responsible for the creation of upwards of 50,000 new jobs by virtue of companies expanding or relocating to Jacksonville as a consequence of a successful marketing campaign. In 1997, <u>Money</u> magazine ranked it as the ninth best place to live in America, and the city grew more than any other city in Florida (with its metropolitan area population at only one million residents).

<u>Fifth, while more difficult to quantify, many community leaders believe that franchises and facilities are critical components of image enhancement and community pride.</u>

National Football League franchises have provided intangible benefits for the communities and regions that host franchises and facilities. Recent studies demonstrate that 67 percent of the United States population consider themselves fans of the NFL; 64 percent of the San Diego population are fans of the league; and 61 percent of the San Diego population watched an NFL game on television in the past 12 months.

Franchises provide unique and targeted national and international exposure on a regular basis. It is estimated that, on any given Fall weekend, almost 120 million viewers are exposed to NFL football on television, nearly half of the United States population. Regular season games are broadcast to 226 countries, and the average NFL regular season game last year posted 15.2 million viewers (the post-season average reached 27.9 million).

A poll done after the development of Heinz Field and PNC Park in Pittsburgh revealed that 73 percent of the respondents believe that the facilities "will revitalize Pittsburgh and improve the quality of life throughout the region." Pittsburgh Mayor Tom Murphy said that the facilities had "done more than anything in the last 25 years to shape an image of Pittsburgh in a different way."

In its May, 1997 report, the Economic Analysis Corporation provided a perspective on the 1996 Congressional Research Service study on facility development. It concluded the following:

> "Sports teams provide valuable consumption benefits to a local community. These benefits include the ability of local residents to follow and enjoy a home team, an increase in community spirit, and a potential means to draw people to downtown areas. In many respects, local government support of new stadium construction is similar to local government subsidization of other valuable local consumption activities, such as concert halls, zoos, parks, and golf courses... Sports teams are a unique type of consumption good in that they provide substantial benefits to many local citizens who do not attend the team's games. These citizens in the local community receive valuable consumption benefits merely from the presence of a professional sports team. Since these citizens cannot be charged directly by the team for the benefits they receive, there is a stronger economic rationale for local government subsidization of professional sports teams than for most other publicly subsidized consumption activity."

In fact, the Florida Supreme Court described the public benefits of stadium facility construction in Poe v. Hillsborough County, 695 So.2d 672 (the 1997 case validating the bonds to construct Raymond James Stadium in Tampa). The Court explained:

> "(T)he Court finds that the Buccaneers instill civic pride and camaraderie into the community and that the Buccaneer games and other stadium events also serve a commendable public purpose by enhancing the community image on a nationwide basis and providing recreation, entertainment and cultural activities to its citizens."

As we continue in the new millennium of facility development, the following four guidelines and parameters are critical to successful public/private facility development for "entertainment infrastructure."

First, with public/private facility partnerships coming under increasing public scrutiny and with local electorates constantly reassessing priorities, communities must be creative, flexible, and consistent in their facility goals and objectives. Cooperation between and among business, political, and civic leadership is an absolute necessity. Further, a Master Facility Development Process that is inclusive of all tourism, entertainment, development, and community constituencies should be undertaken. In short, a consensus building process necessarily includes the following interests: business, political, private risk capital, city government, county government, state government, developmental entrepreneurs, and technical analysts.

Second, public facilities of the new millennium will be designed as diverse entertainment and activity centers. As such, these facilities should be viewed as critical components of long-term regional infrastructure development, independent of any desire to satisfy the needs of respective major league franchises.

Third, *all* new facilities require development of creative public/private financing partnerships where the public sector provides investment capital to “jump start” the project. In these cases, the tangible linkage between specific public revenue sources and realistic, quantifiable return on the public investment is an absolute political and economic necessity.

Finally, these types of “entertainment infrastructure” facilities -- like any visionary public assets -- are inherently controversial and complex. Therefore, their implementation requires significant (and, potentially, unprecedented) *regional* support from respective business, political, and civic leadership. However, once these facilities are developed, they provide substantial economic, tangible, and psychological benefits for the entire region for years to come

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Rick Horrow is the Facility Development Consultant for the National Football League, working on most or all of the public-private stadium situations since 1995. He is Visiting Expert of Sports Law at Harvard Law School, and the Sports Business Analyst for CNN and Sporting News Radio. As one of the Founding Directors of the National Sports Lawyers Association, he has served as an expert commentator on sports business and law for Fox Sports Network, ESPN, and Fox Sports Biz. In addition, he has been involved in facility development for the Baltimore Orioles, the Cleveland Indians, the New York Mets, and a speedway in Kansas City, Kansas. Among Horrow's other accomplishments was the coordination of the largest single-issue public-facility-development referendum ever -- a $250 million sales tax levy for nine sports and recreational facilities for Oklahoma City, Oklahoma. He is coordinating similar initiatives in Richmond, Virginia, Birmingham, Alabama; Wichita, Kansas, Oakland California, and Jacksonville, Florida. Horrow has worked with the International Speedway Corporation, Ladies Professional Golf Association, the Major League Baseball Players Association, Major League Soccer, PGA TOUR, and the Canadian Football League.